

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Reseller Expedited Package Contracts 2
(MC2013-51)
Negotiated Service Agreement

Docket No. CP2016-44

PUBLIC REPRESENTATIVE COMMENTS ON POSTAL SERVICE NOTICE
OF FILING A FUNCTIONALLY EQUIVALENT GLOBAL RESELLER EXPEDITED
PACKAGE 2 NEGOTIATED SERVICE AGREEMENT

(December 22, 2015)

The Public Representative hereby provides comments pursuant to Order No. 2874.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Notice of filing a functionally equivalent Global Reseller Expedited Package 2 (GREP 2) negotiated service agreement (Agreement).² Customers for GREP 2 contracts are resellers that market Priority Mail Express International (PMEI), Priority Mail International (PMI) and/or First-Class Package International Service (FCPIS) at discounted prices to their customers, especially small- or medium-sized businesses. Notice at 4.

Prices and classifications not of general applicability for GREP contracts were

¹ Notice and Order Concerning Additional Global Reseller Expedited Package Contracts 2 Negotiated Service Agreement, December 15, 2015 (Order No. 2874).

² Notice of United States Postal Service of Filing a Functionally Equivalent Global Reseller Expedited Package 2 Negotiated Service Agreement, December 14, 2015 (Notice).

previously established by Governors' Decision No. 10-1.³ In Order No. 1746, the Commission designated the contract that is subject of Docket Nos. MC2013-51 and CP2013-64 as the baseline agreement for the GREP 2 product.⁴ *Id.* at 3.

The contract filed with the Notice is a new GREP 2 contract. The Agreement is set to expire one year after its effective date, which will be determined no later than 30 days after the Postal Service receives the applicable regulatory approval. *Id.*, Attachment 1 at 2-3.

COMMENTS

The Public Representative has reviewed the Postal Service's Notice, the Agreement, and supporting documentation filed under seal with the Notice. Based upon that review, the Public Representative concludes that the Agreement is functionally equivalent to the baseline agreement. In addition, it appears that the negotiated prices in the Agreement should generate sufficient revenues to cover costs.

Functional Equivalence. The Postal Service asserts that the Agreement "shares similar cost and market characteristics" with the baseline contract subject of Docket Nos. MC2013-51 and CP2013-64. Notice. at 4-5. However, the Postal Service identifies differences between the Agreement and the GREP 2 baseline agreement. *Id.* at 5-7. Some of the differences are specific to the customer (e.g., the customer's name and address). Other differences between the Agreement and the GREP 2 baseline contract include revisions to the numerous existing articles, as well as deletion and renumbering of some articles; revision to Annexes. *Id.*

The Postal Service maintains that these differences do not affect "either the fundamental service the Postal Service is offering or the fundamental structure of the

³ Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Global Reseller Expedited Package Contracts (Governors' Decision No. 10-1). See Docket Nos. MC2010-21 and CP2010-36, Request of the United States Postal Service to Add Global Reseller Expedited Package Contracts to the Competitive Products List, and Notice of Filing (Under Seal) of Contract and Enabling Governors' Decision, March 29, 2010 (Request).

⁴ Order Adding Global Reseller Expedited Package Contracts 2 to the Competitive Product List Negotiated Service Agreement, June 13, 2013 (Order 1746).

contract.” *Id.* at 7. The Public Representative concludes that the Agreement exhibits similar cost and market characteristics to the baseline agreement. Therefore, the Public Representative agrees that the Agreement is functionally equivalent to the baseline agreement and should be added to the GREP 2 product.

Requirements of 39 U.S.C. § 3633. Pursuant to section 3633(a), prices for competitive products must cover each product’s attributable costs, not result in subsidization of competitive products by market dominant products, and ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service. Based upon a review of the financial worksheets filed under seal with the Postal Service’s Notice, it appears that the negotiated prices satisfy the requirements of section 3633(a).

Other Considerations. The Public Representative suggests that the Postal Service notify the Commission of the effective date of the Agreement. The Public Representative is also mindful that the Postal Service informs the Commission if the contract terminates earlier than scheduled.

The Public Representative respectfully submits the foregoing comments for the Commission’s consideration.

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